

BROKER OFFICE POLICIES MODEL MANUAL

For Arizona Real Estate, Cemetery, and
Membership Camping Salespersons and Brokers

Developed by the Broker Office Policies Model Manual Committee

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INTRODUCTION

This manual has been developed to serve as a model for the broker's written policies required by A.A.C. R4-28-1103. It is not intended to tell a broker how to run the broker's office, but as a starting point for a broker to convey to licensed and unlicensed persons in the broker's employ just how that broker wants his business run--how the broker would have salespersons and associate brokers handle the day-to-day activities of a real estate Sales Associate. The broker should "tailor" this model to fit the needs of the brokerage. Clearly, the broker may add or subtract any provision herein provided to make it fit. This model is intended to provide a track on which the broker may run. The broker may use any of it, all of it, or none of it to create a manual that brings the broker into compliance with the rule which requires a written policy.

Notice of Disclaimer

The requirements set forth in this model are based upon a practical application of Arizona laws, rules, and custom and are not intended to provide legal advice. From time to time, laws, rules, forms, and requirements referenced in this manual may change. Neither the Real Estate Commissioner nor any division, officer, or employee of the Department of Real Estate warrants the accuracy, reliability or timeliness of any information in this model manual, and will not be responsible or liable for any loss, consequence, or damage resulting directly or indirectly from reliance on the accuracy, reliability, or timeliness of the information. Information in this model may have been derived from or repeated from other sources and may be applicable or not. The documents and materials

found or referenced here may have been revised or replaced since the last printing of this model manual. Any person or entity that relies on information obtained from this manual does so at the person's or entity's own risk. The user assumes the risk of verifying any materials used or relied on.

DEFINITIONS

Definitions of many terms are found in the real estate law book. In addition to terms defined in A.R.S. § 32-2101, 32-2171, and A.A.C. R4-28-101, the following terms appear in this manual which are defined below:

A.A.C. - Arizona Administrative Code (unofficially, the Commissioner's Rules).

ADRE - Arizona Department of Real Estate.

AAR - Arizona Association of REALTORS® .

Broker – A company's designated broker.

Company – (Company name here)

Listing – An employment contract to represent a seller in the marketing of the seller's property.

MLS – local multiple listing service.

NAR - NATIONAL ASSOCIATION OF REALTORS®.

Sales Associate - A licensed salesperson or associate broker working with the company as either an employee or an independent contractor.

SPDS - Seller's Property Disclosure Statement.

ADRE REQUIREMENTS

Office Policy Manual

Effective August 6, 2002, Commissioner's Rule R4-28-1103 was adopted that requires a broker to establish and enforce written policies, rules, procedures, and systems to:

1. Review and manage transactions requiring a salesperson's or broker's license; and use of disclosure forms and contracts. For real estate brokers, this includes real estate employment agreements under A.R.S. § 32-2151.02.
2. Manage the filing, storing, and maintenance of transaction documents, handling trust funds, and use of unlicensed assistants by a salesperson or broker.
3. Oversee delegation of authority to others to act on behalf the broker's behalf.
4. Familiarize salespersons and associate brokers with the requirements of federal, state, and local laws relating to the practice of real estate (or the sale of cemetery property or membership camping contracts, if applicable).
5. Review and inspect documents that may have a material effect upon the rights or obligations of a party to a transaction and advertising and marketing by the broker and by salespersons, associate brokers, and employees of the broker.

BROKER'S REQUIREMENTS

Address Changes

This section should include:

- Brokers and Sales Associates must notify the Department within 10 days of a change of (residence/mailing) address.
- A Broker must notify the Department prior to relocating the business or changing its business/mailing address.

Advertising

This section should cover all advertising media, including the Internet:

- Review of advertising for Fair Housing compliance and use of the Fair Housing logo.
- Review of advertising for compliance with Regulation Z and Truth in Lending laws.
- Use of Company logo, name, and phone numbers on advertising.
- Broker review before placement of advertising.

Agency Disclosure

This section should clearly describe the Company's policy on agency. The following are examples:

- The Company represents the seller/landlord exclusively when we are the listing agent but not the selling agent.
- The Company represents the buyer/tenant exclusively when we are the selling/leasing agent and not the listing agent.

- The Company represents both the seller/landlord and buyer/tenant as a dual agent (Limited Representation Disclosure Form required) when there is only one Sales Associate or two Sales Associates from the company. Agency is established with the Broker, not the Sales Associate.
- The Company will cooperate and co-broke with a selling/leasing agent from any other brokerage that represents the seller/landlord exclusively or represents the buyer/tenant exclusively.
- The Company DOES or DOES NOT allow "sub-agency."

Annual 1099 Report

This section should cover:

- What IRS 1099 forms will include and exclude (such as any deductions) and who pays deductions.

Anti-Trust Compliance

This section should include:

compliance with the anti-trust laws, describing the conduct and results that are to be avoided, such as Sales Associates and employees must take special care to avoid discussion with employees and Sales Associates of competing firms regarding the commission policy of the Company that could be construed to be agreements or conspiracies to fix, establish prices or otherwise restrain competition in violation of state and federal anti-trust laws.

Assistants

This section should include:

- The Broker's policy concerning Personal Assistants, permissible and prohibited activities, compensation, equipment/office space, withholding tax, worker's compensation insurance, Company liability.

Associate Expenses

This section should cover:

- What expenses are and are not covered by the Company;
- It could include a statement addressing the Company policy in the event a Sales Associate incurs unauthorized expenses.

Authorized and Unauthorized Real Estate Activities

This section/these two sections should cover areas of practice that Sales Associates are authorized or not authorized to participate in without prior approval of the broker, such as:

- Sales, leases, or exchanges
- Residential, new, resale, commercial, industrial, multi-family, agricultural, or vacant properties
- Property management
- Business opportunities
- FHA-VA-owned properties
- Attorney-in-fact/acting on a buyer's or seller's behalf,
- Unsubdivided lands

Automobile Insurance

This section should cover:

- Who is responsible for maintaining automobile insurance
- Any requirement that the Company be provided with insurance and in what amount.

Broker Signature Requirements

Authorized Signature

This section should include:

- A description of who is authorized to sign what documents on behalf of the Company,
- Whether only the Designated Broker, or the Designated Broker's designee/authorized branch manager, or someone else.

The documents could include:

- Assignment of Commissions
- Commission Changes
- Escrow Changes
- License Renewal
- Listing Releases
- Lockbox Vendor Agreement
- Mutual Cancellations

Business Relationships / Vendor Referral Policy (RESPA)

This section should include:

- Identification of relationships the Company has established with other companies that require disclosure under RESPA.
- When disclosure of a relationship is required and how it is to be made.
- The Company policy concerning Sales Associates' referrals to clients or customers, including any required disclosure of compensation.

Cancellations

This section should include:

- How to handle a canceled transaction (which may depend on the reason for cancellation)
- Obtaining a mutual cancellation, who must sign it, and what to do with it after it's signed.

Commissions

Collection Of Commissions

This section should cover:

- Costs of recovering any commissions and who pays for the costs: the Company, Sales Associate, or someone else.
- Division of any forfeited earnest money deposit.
- Reduction of commission negotiated by the sales associate, permissions required, etc.

Payment of Commissions

This section should cover:

- Only licensed Sales Associates can be paid a commission.
- A licensed real estate Sales Associate can only be paid by the Sales Associate's Broker.
- That commissions are paid to the Sales Associate in accordance with the Associate's commission agreement with the Company.
- Whether commissions are authorized by the company to the escrow company to be paid directly to the sales associate.
- What date determines which month the transaction closed (if commission on a transaction is determined on a per month basis).
- What fees will be deducted from the commission (such as E & O Insurance).
- If commission checks received need to clear the bank before payment to the sales associate is made.

Deferred Commissions

This section should cover:

- How any deferred commissions received will be paid to sales associates.
- If a beneficial interest can be assigned to a sales associate and under what circumstances.
- How assigned commissions are handled with regard to the Internal Revenue Service, Form 1099's, etc.

Commissions Shared Between or Among Sales Associates

This section should cover:

- How shared commissions will be handled.
- What type of agreement should be drawn.
- Whether broker approval is required.
- What happens if a commission is shared without broker approval (e.g., who will receive it, whether verbal agreements are allowed, etc.).
- That shared commissions and referral fees paid to someone outside the Company are to be paid by the Company, not by the Sales Associate.

Commission Disputes

This section should cover:

- How commission disputes between Sales Associates are to be handled, such as:
 - Whether there must be a written agreement and what happens when there isn't;
 - Will there be an internal arbitration process;
 - Whether the Broker will mediate or arbitrate the matter.
- If the Sales Associate takes a separate action outside the policies, who pays for any expense and, if unauthorized, what are the consequences.

Commission Rates Schedule

Determined by each broker independently, this section should cover:

- Any minimum acceptable cooperating commission accepted without prior approval of the Broker when representing buyers.
- Any minimum acceptable listing commission without prior approval of the Broker.

Compensation Schedule

This section should cover:

- Sales Associate compensation splits, schedules, and timing.
- Errors and omissions insurance deductions and whether they are related to the Sales Associate's compensation level.
- Compensation paid after termination.
- How bonuses are to be paid and divided.

Credit Reports

This section could include:

- Federal guidelines dealing with credit reports and confidentiality concerns.
- How to respond to a customer/client request that a Sales Associate (other than those managing property) generate, review, fax, and/or handle a credit report for a client or customer or prospective client or customer.

Customer Care

Representing Clients

This section should cover:

- What the Sales Associate's responsibilities are when acting as a buyer's agent, to be present during all showings, inspections, document signings.
- What the Sales Associate's responsibilities are to keep clients informed.
- Whether these responsibilities are required in new home searches and transactions.

Client Contact and Appointments

This section should cover:

- Expectations of Sales Associates with regard to professional courtesies.
- How difficult relationships should be handled and whether and under what conditions clients may be reassigned by the Broker to another Sales Associate.
- How Sales Associates should handle the inability to keep an appointment, with either the seller or buyer or both.

Disputes Between Sales Associates

This section should address disputes between or among Sales Associates and may include:

- Any written agreement or policy concerning how the dispute is to be resolved.
- Whether the matter will be mediated and if so, by whom.

- If unable to mediate an acceptable resolution, who will determine the outcome.
- What happens if a Sales Associate refuses to cooperate or fails to comply with any ordered or agreed conduct.
- Whether notice of the dispute must be given to the broker, including when and how the notice is to be provided.
- If a lawsuit is filed, who is responsible for judgments, damages, losses, costs, expenses, etc., incurred by Broker/Company in the defense of the lawsuit.
- Consequences for non-compliance with policies/agreement.

Documentation

Affidavit of Disclosure

This section, for transactions involving 5 or fewer parcels located in an unincorporated area, should include:

- Use of the Affidavit of Disclosure.

Agency Forms

This section should include:

- Whether, and under what circumstances, an agency form, dual agency form, limited representation agreement, or buyer's broker agreement shall be used.

Forms Usage

This section should cover:

- What forms and/or versions Sales Associate shall use.

- Sales Associates' revision of Company pre-printed forms, whether prior approval by the Broker is required, and if required and not obtained, what are the consequences.

Listings

This section should include:

- That a Sales Associate must turn in every Listing to the Broker immediately upon the Seller's signature.
- Any additional documents the Broker requires (See Exhibit 1)

Maintenance of Transaction Files

This section should cover:

- Any lists of documents required in transaction files, including resales, new home sales, land sales, listings, etc. This is a good place for established checklists or references to the most current checklists required by the Company.
- Required timing for each document required, such as timing required to submit to the broker for review and approval;
- What documents require broker's initials or signature.
- How rejected offers are to be handled
- Whether listing agents are expected to verify listing information prior to submitting to MLS
- What documents are required in the file for canceled transactions
- How files involving a transaction where a Sales Associate is a principal in the transaction are to be handled

- Access to files: who has access and where files are to be kept.
- For a checklist of Transaction file documents, see Exhibits 2 A & B.

Transaction Logs

This section should include:

- A description of the manual or automated chronological or other numbering system used to log transaction files.
- That all purchase contracts and lease agreements must be logged in.
- The Broker's directions to employees/licensees on how and when to log all files, so that the Broker has a complete and comprehensive log. A.R.S. § 32-2151.01(E).
- That the system is easily accessible by the Department.

Earnest Money

This section should include:

- The amount and type of earnest money deposit must be clearly identified in the offer to purchase and shall be made payable to a specific Arizona escrow company or the Broker Trust Account.
- That the Sales Associate acknowledges receipt of the earnest money deposit described in the contract, and must receive the deposit at that time.
- That a Sales Associate is not to give a receipt if funds are not given to him/her.
- Whether a Sales Associate can take cash as a deposit and if so, what procedures are to be followed to safeguard it.

- How, when, and where earnest money is to be deposited.
- That the receipt for earnest money deposited with a title company must be turned in to the Broker or the authorized Branch Manager immediately.
- That once the contract has been signed a Sales Associate is not to hold the check in his/her possession under any circumstances.
- That a post-dated check is NOT acceptable unless specifically authorized by the Broker and the client.
- Instructions that regardless of whether the contract requires that the deposit is to be placed in a trust account or turned over to an escrow company, it is to be promptly given to the Broker, and the Broker must produce a paper trail to show how it was handled, i.e., documentation showing what was done with the deposit and when.
- All Earnest Money must be handled in accordance with the terms of the contract and according to the Rules of the ADRE.
- Notice that improper handling of earnest money may be grounds for immediate dismissal of a Sales Associate. Improper handling could include failing to deposit earnest money by the specified time or falsely representing that earnest money has been deposited.

Equal Opportunity Employer

This section should include:

- An affirmative statement concerning equal employment opportunities at the Company.

Expense Responsibilities

This section should clearly establish whether the Sales Associate or the Broker/Company is responsible for various expenses, such as:

- E & O Insurance
- Automobile Insurance
- Office Space & equipment (computers and software; phone, including long distance, 800# service; pagers; postage (including Fed Ex and UPS); fax; copier; etc)
- Clerical/Secretarial support
- Advertising
- Liability Insurance
- FICA
- Taxes
- Health Insurance (availability of health or life insurance, or possible sources, such as the NATIONAL ASSOCIATION OF REALTORS® , the Arizona Association of REALTORS® , or the local Association of REALTORS®).

Fair Housing/Equal Opportunity

This section should include:

- A statement concerning compliance with the State and Federal Fair Housing Acts.
- Clear instructions on compliance with the State and Federal Fair Housing Laws and rules, including requirements for advertising.

- Where the Fair Housing laws and rules can be found (real estate lawbook, links from the Department's Web site, www.re.state.az.us).

Duties To Clients and Non-Clients

Fiduciary Duties to the Client

This section should include:

- The Broker's and Sales Associates' responsibilities when acting as agent for a client. They owe duties of confidentiality, accountability, reasonable skill and care, loyalty, obedience (lawful), accounting, and disclosure.

Obligation To The Non-Client (Duty To Deal Fairly)

This section should include:

- The Broker's/Sales Associate's obligation to disclose in writing to all other parties, including:
 - Any information that materially and adversely affects the consideration to be paid by any party to the transaction.
 - That the seller/lessor is, or may be, unable to perform.
 - That the buyer/lessee is, or may be, unable to perform.
 - Any material defect existing in the property being transferred.
 - The possible existence of a lien or encumbrance on the property being transferred.
 - That the Broker/Sales Associate is the principal or has a financial or beneficial interest in the property
 - That the Broker/Sales Associate is related to one of the principals
 - That the Broker/Sales Associate has a conflict of interest

Floor Time Policy

This section should address:

- The Broker's position concerning Sales Associates' floor time.
- Whether floor time is voluntary or required.
- Procedure to follow If unable to staff the office during scheduled floor time.

Hiring

This section should cover:

- That a Sales Associate is not effectively hired by a broker until the ADRE receives a completed and signed change form reflecting the hire, and the applicable fee.

Home Tours

This section should address:

- The Broker's position concerning Sales Associates touring homes.

Independent Contractor vs. Employees (Agreement)

This section should include:

- The Sales Associate's standing as an Independent Contractor or employee, including types of activities that may affect the Sales Associate's standing as perceived by the Internal Revenue Service, Arizona Department of Revenue or the Arizona State Compensation Fund.
- Whether a written Independent Contractors Agreement with the Company is required. (See Sample Agreement, Exhibit 3)

Insurance

Automobile

In this section, the Broker should clarify:

- Who is responsible for providing transportation and who pays which expenses
- If the Broker has minimum insurance requirements, and what the limits are
- Any indemnification/hold harmless clauses the Broker may require.

Errors & Omissions Insurance

This section should include:

- Who will obtain Errors & Omissions Insurance
- Who is responsible for paying the premiums or, if pro-rated, what the Sales Associate's share may be and who absorbs any increase in the deductible or premium.
- Sales Associates should be cautioned that there are circumstances where E & O may not provide coverage, i.e., fraud, commercial environmental issues, transaction where Sales Associate acts as principal.
- The following should be included:
 - Claims or litigation
 - Legal Defense Fund Agreement
 - Indemnification from the Sales Associate
 - Severance
 - Association of REALTORS® Complaints

General Liability Insurance

This section should include:

- The Broker's position concerning General Liability Insurance for Sales Associates.

Lead Based Paint

This section should include:

- The requirement by the U.S. Department of Housing and Urban Development (HUD) requires that every seller of residential property built prior to 1978 disclose to the potential buyer/tenant the possibility for or the existence of lead based paint on the property.
- That every buyer/tenant is to receive a copy of the pamphlet "Protect Your Family From Lead In Your Home" and the Lead Based Paint Disclosure Addendum, available from the Department's Web site, at this URL:
www.re.state.az.us/leadfacts.html.
- Buyer initials or signatures are required to acknowledge receipt of notice.
- Sales Associates are required to initial and sign the receipt.

Leases

This section should include:

- Procedure and requirements for leasing a property
- Documents to turn in to the Broker, which may include a fully executed lease; a copy of the listing or plano; lease deposit or copy of the lease deposit check; Real Estate Agency Disclosure and Election Form; receipt for Landlord/Tenant Act; commission instructions for Landlord.

- Whether the original or a faxed copy is acceptable
- Handling/collection of lease deposits, including cashier's check vs. non-cashiered checks, out-of-state checks, and any delays required for a check to clear the bank.

Legal and Complaint Procedures

This section could include instructions on how to handle:

- Client/Customer Complaint Letters
- Attorney Letters
- Production of Records Subpoena
- Lawsuit Subpoena
- Arizona Department of Real Estate or Association of REALTORS®
Complaints
- Internal Revenue Service or Arizona Department of Revenue Tax Levy

Lock Boxes

This section should cover:

- What forms are required to be signed prior to placing a lockbox on a property
- Prohibitions related to sharing lockbox keys
- Whether the Sales Associate or the Company buys lock boxes and if the Company does, the procedures regarding access.

Meetings

This section should cover:

- The Broker's policy concerning Sales Associates' attendance at Company meetings.

Military Airports

This section should include:

- That the Broker and Sales Associates are required to inform the buyer/tenant that a property is within the area of a military or other airport
- Where the Sales Associate may obtain maps defining the areas affected, including the Department's Web site (www.re.state.az.us).

Offers

Presenting Offers

This section should include:

- A description of how contracts are to be presented and that they must be presented in a timely manner.
- What to do if the Sales Associate is not available and cannot timely present a contract.

Multiple Offers

This section should include:

- How multiple offers shall be handled.
- Whether the Company requires use of a particular form.

Rejected Offers

This section should include:

- That the offer should be initialed and dated and include the notation REJECTED or VOID across the face of the contract.
- Rejected offers on Company listings must be turned into the office and retained for one year.
- If a contract results, the rejected offers on Company listings must be kept in the transaction file for five years.

Open Houses

This section should cover requirements regarding open houses, such as:

- Whether Company open house signs must be used,
- Whether and under what circumstances Sales Associates other than the listing agent can hold open houses;
- Any other policies regarding the operation of open houses, including safety.

Personal Safety & Conduct

This section could include the following topics:

- Personal Safety .
- Alcohol Use
- Illegal Drugs
- Smoking
- Harassment/Sexual Harassment (See Exhibit 4 for sample policy)
- Appearance/Dress

Pool

This section should include

- Ensuring that the seller comply with provisions of A.R.S. § 36-1681(E) by providing the buyer, lessee, or renter with a notice, approved by the Department of Health Services, explaining safety education and responsibilities of pool ownership.

Pre-Possession and Post-Possession

This section should include:

- That effective August 6, 2002, all Pre-Possession and Post Possession agreements between Sellers and Buyers shall be in writing.
- That Sales Associates must recommend to their clients to seek appropriate counsel (including tax, legal, insurance, etc.) concerning risks associated with pre-possession or post-possession.
- What forms and/or form versions a Sales Associate shall use.

Professional Association Affiliations/Membership

This section should include:

- Whether membership in a business or trade association is required or recommended and, if so, which associations or organizations and who is responsible for fees or dues.

Property Management

If the Company allows property management, this section should include:

- Transaction records for property management transactions must be kept for 3 years.

- Records for transactions that do not close must be kept for one year.
(A.R.S. 32-2175)
- The records that must be kept include property management agreement; copies of earnest money receipts; closing statements (showing receipts, disbursements, adjustments); lease or rental contracts; and listing agreements (if applicable).

Real Estate License

This section should include:

- A statement that a Sales Associate is to keep his or her license current and on active status to sell real estate in Arizona, and may include a statement as to who is responsible for license and related costs.

Referral and Finders' Fees

This section should cover:

- How outgoing referral fees should be paid; that they must be paid only to a licensed broker and whether a copy of that broker's license must be included in the transaction file; that no fees may be paid to unlicensed people or entities.
- How incoming referral fees are handled, that they are paid only to the Company; if and how they will be split with the Company.
- Whether a form is required to be used with either incoming or outgoing referrals.

Sales Transactions

This section should include:

- Cemetery Sales, Membership Camping Contracts, and/or Timeshare Sales, if authorized by the Broker.
- Transaction records for closed sales and leases must be kept for 5 years.
- Records for transactions that do not close must be kept for one year.
(A.R.S. § 32-2151.01 and A.A.C. R4-28-802).
- What records must be kept (including copies of earnest money receipts; closing statements showing receipts, disbursements, and adjustments; purchase and lease contracts; addenda; listing agreements).
- In transactions where a binding contract results, the broker must also retain prior rejected offers for at least 5 years. (A.R.S. § 32-2151.01 (J))
- Procedures and timing for turning in documents to the Broker Sales Associates shall turn in the documents (see Exhibits 2 A & B).
- That the Broker or assigned Branch Manager acknowledge all contracts, including listing contracts, within 3 days of receiving signatures.
- Additional requirements or documents that must be turned in prior to a Sales Associate being paid a commission.

Seller Property Disclosure Statement

This section could include:

- Whether the Company requires all sellers complete a Seller's Property Disclosure Statement ("SPDS") on every listing; any exceptions (perhaps for new construction not complete at the time of listing, estate sale, bank-owned property, family trust, etc., and how to indicate in the purchase contract that the seller is not providing a SPDS).

- How the Sales Associate is to handle any answers that are not answered, appear to be inaccurate, inconsistencies and red flags, or if the seller refuses to complete the SPDS.

Severing from the Company

This section should include:

- What happens when a Sales Associate terminates association with the Company, or the Company terminates the Sales Associate.
- Review all of the Sales Associate's pending business and determine who will handle the transactions;
- Review agreement concerning compensation\
- Disposition of Company property upon the severance/termination of a Sales Associate from the Company and may include: keys, key card, documents, etc.
- Company policy/practice concerning listing agreements.
- Severance is not effective under the licensing laws until the Department receives the notice of severance and the Sales Associates' license.

Signs

This section should cover:

- Any restrictions or policies about signs, such as: not placing them on properties without the signed authorization of the owner
- Whether a Sales Associate is required to use sign companies or whether the Company handles sign placement
- When signs are to be placed and removed.

Superfund and WQARF

This section should include:

- Information about areas that have been designated by the Federal Government and by the State of Arizona as environmentally impacted
- Where information or maps can be obtained, such as from the Arizona Department of Environmental Quality Web site, www.adeq.state.az.us.
- When and how to fully disclose to prospective buyers that a property is located in these areas.

Vacation/Out of Town

This section should cover:

- What methods Sales Associate are required to use to communicate, such as: pagers, mobile phones, email, etc.
- What Sales Associates are expected to do when they leave town or are on vacation, such as: designate another Company Sales Associate to handle business, who is required to be notified about the designation, and under what circumstances will the Company designate a substitute.

Wrap-Around, Carry-back or Subordinating Financing

This section should include:

- The Broker's policy concerning an offer which proposes to wrap, carry, or subordinate a loan which contains an alienation and acceleration clause.
- What a Sales Associate, whether a seller's or buyer's agent, should do when presented with or asked to draft an offer including one of these financing clauses and whether particular forms must be utilized.

- Whether the Broker requires a special review of the contract to see that proper form and verbiage have been used.
- What are the consequences of a Sales Associate proceeding with one of these contracts without first consulting the Broker.

EXHIBIT 1

SAMPLE TRANSACTION DOCUMENT CHECKLIST

Listings

- ☐ MLS Exclusive Right to Sell (Legal) with signatures and initials
- ☐ MLS Residential Profile (Data) Sheets with signatures and initials
- ☐ AAR Agency Election and Disclosure with signatures
- ☐ Fully completed AAR Lead-Based Paint Disclosure with ALL Initials AND Signatures (Properties built prior to 1978--NO EXCEPTIONS!)
- ☐ Home Warranty Coverage (If applicable)
- ☐ Estimated Cost Sheet with signatures
- ☐ AAR Request for Loan Information with signatures (Mail original to lender)
- ☐ Ad sheet

EXHIBIT 2A

SAMPLE TRANSACTION DOCUMENT CHECKLIST

New Home Sales

- ☐ AAR Agency Disclosure and Election with signatures*
- ☐ Registration/Commission Agreement
- ☐ HUD: For Your Protection: Get a Home Inspection w/signatures (If FHA)
- ☐ Cancellation form from Builder or Title Company (If Applicable)
- ☐ Detailed Communication Log (At close of escrow or any Cancellation)

**Submit to Office within 3 days of Contract Date*

EXHIBIT 2B

SAMPLE TRANSACTION DOCUMENT CHECKLIST

Resales

- ☐ AAR May/2000 Contract with all signatures and initials
- ☐ AAR Counter Offer/Addendum with all signatures
- ☐ AAR Agency Election and Disclosure with signatures *
- ☐ AAR Limited Dual Representation with all signatures (if applicable)
- ☐ Earnest Deposit Receipt from Title Company (Buyer's Agent)
- ☐ HUD: "For Your Protection: Get a Home Inspection" with signatures (If FHA)
- ☐ MLS Printout
- ☐ Fully completed AAR Lead-Based Paint Disclosure with ALL Initials AND Signatures (Properties Prior to 1978) (NO EXCEPTIONS!)
- ☐ Super Fund/Defense Site Disclosure WITH buyers' signatures (if applicable)
- ☐ Pre-possession and/or Post-possession Agreement with all signatures (if applicable)
- ☐ Other Addenda: (If applicable) _____

- ☐ AAR Seller Property Disclosure Statement (SPDS), with all signatures **
- ☐ AAR Buyer Inspection Notice with Buyer's signatures
 - ☐ Seller's Response --- (within 5 calendar days of Buyer's Notice)
 - ☐ Buyer's Response --- (within 5 calendar days of Seller's Notice)

- ☐ Wood Infestation Report **
- ☐ Final Walk Through Report with signatures (Buyer's Agent)
- ☐ Final Walk Through Report with signatures (Seller's Agent)
- ☐ Detailed Communication Log (Close of Escrow or Cancellation)
- ☐ Settlement Statement (if closed) or
Cancellation Letter from Escrow Company (if cancelled) (and any other
applicable file documents, with signatures, such as mutual cancellation).

** Submit to Office within 3 days of a fully signed contract.*

*** Submit to Office during the inspection period.*

EXHIBIT 3

SAMPLE INDEPENDENT CONTRACTOR AGREEMENT

THIS AGREEMENT is entered into this ____ day of _____, 20____,
by and between ____Company____ (hereinafter called "Broker") and ____Sales
Associate____(hereinafter called "Independent Contractor").

WITNESSETH:

WHEREAS, Broker is engaged in the business of real estate in the State of
Arizona; and

WHEREAS, Broker maintains offices properly equipped with furnishings and
equipment necessary to conduct said real estate business; and

WHEREAS, Independent Contractor is engaged in the business as a real estate
salesperson or broker duly licensed by the State of Arizona, and now determines
that it will be mutually advantageous to enter into this Agreement upon the terms
and conditions set forth herein;

NOW, THEREFORE, Broker and Independent Contractor mutually
covenant and promise to enter into the following Articles of Agreement and the
Broker's Policy and Procedure Manual.

ARTICLE I

Relationship

Sales Associate agrees to work for Broker as an Independent Contractor and not
as an Employee for Federal Tax purposes, (I.R.C. 3508), Workers Compensation
(A.R.S. § 23-910), or Employee Security Act (A.R.S. § 23-617(14)).

Sales Associate relationship with Broker is not to be construed as a partnership or as an employee. Broker shall not withhold from Independent Contractor's commissions any amounts for taxes, Social Security payments, or premium payments for worker's compensation insurance.

Independent Contractor shall not engage in any fraternization with Company employees. Such fraternization can cause favoritism which can lead to problems within the office. Such fraternization may lead to dismissal.

Independent Contractor shall not engage in any activity or behavior of harassment of any sort towards any Company employee, not limited to race, color, religion, sex, handicap, familial status or national origin. Such harassment may lead to dismissal.

ARTICLE II

Ethics, Trade Organization, and Membership

Independent Contractor agrees to follow the rules and regulations that the Broker follows as a member of the local Real Estate Associations, the NATIONAL ASSOCIATION OF REALTORS® and shall adhere to the NAR Code of Ethics. Independent Contractor acknowledges the personal dues required for such membership.

ARTICLE III

Expenses

Independent Contractor shall pay the cost of his/her personal Real Estate License and be responsible for maintaining said license.

Independent Contractor shall be responsible for his/her own advertising and personal business expenses. All advertising, business cards and web pages are subject to approval of the Broker before publishing.

Independent Contractor shall use the Company-required forms for all real estate business.

Independent Contractor shall adhere to the Broker's Policy and Procedures Manual.

ARTICLE IV

Termination of Independent Contractor Agreement

This Agreement may be terminated by Independent Contractor with a thirty (30) day written notice to Broker. The rights of parties to any commission which accrued prior to said notice shall not be divested by the termination of this Agreement. All existing contracts commenced by Independent Contractor during the term of this Agreement shall be handled by the Broker.

Independent Contractor will process contracts through to the close unless earlier severed from the Broker. In case of failure to perform said service, Broker may assign another Independent Contractor to complete transaction and compensate this Independent Contractor from the commission collected as deemed appropriate by Broker.

Broker reserves the right to terminate this agreement and dismiss Independent Contractor at will without cause or advance notice.

IN WITNESS WHEREOF, the parties have executed this Agreement this _____ day of _____, 20____, agree to the terms and conditions herein, and acknowledge receipt of a copy.

AGREED:

By: _____
(Independent Contractor's Signature)

By: _____
(Designated Broker's Signature)

EXHIBIT 4

SAMPLE SEXUAL HARASSMENT POLICY

Sexual harassment is any verbal or physical conduct of a harassing nature, requests for sexual acts or favors, unwelcome sexual advances, or any other conduct with the purpose or effect of which unreasonably interferes with an individual's work performance or creates a hostile, intimidating or offensive work environment. Sexual harassment is illegal.

Racial, religious, and ethnic harassment is also illegal. For this reason, you must make sure that you do not engage in such harassment or in any behavior toward your fellow workers that could be viewed as harassment.

Because harassment is a serious offense, the Company will deal with these issues in the strictest of terms which may include termination if you are found to have engaged in such conduct.

The Company policy states that the following people may not harass you: co-workers; supervisors; any member of the firm; any guest or visitor to the firm.

If you believe that you have been harassed, please bring the problem to the attention of your supervisor and (provide the names of any other individuals). You do not have to put your complaint in writing, but it is helpful to provide details about dates, times, places, and witnesses to the harassment.

All complaints will be investigated promptly by (provide name of individual).

The identity of the employee making the complaint as well as the identity of the individual accused of sexual, ethnic, racial or religious harassment will be kept strictly confidential. Information regarding the charge of sexual harassment and then investigation of that charge will not be made known to anyone who is not directly involved either as a party, a witness, or a member of the investigatory team. Witnesses interviewed will be provided only such information as is necessary to elicit from them their observations and other relevant information.

No one may retaliate against you if you file a charge of harassment against them. The Company will make every effort to prevent possible retaliation against you under such circumstances.

If your complaint of harassment is found to be totally and completely without basis, appropriate measures may be taken against you. This should not discourage you from making a complaint if you believe you have been a victim of sexual, racial, religious, or ethnic harassment.